



## 2004 Department Activities

### Accreditation

The Credit Union Division of the California Department of Financial Institutions (DFI) earned its five-year re-accreditation by the National Association of State Credit Union Supervisors (NASCUS). California is one of 27 states to hold this prestigious certification. NASCUS represents all 48 state and territorial credit union supervisors and the NASCUS Credit Union Council, which is made up of nearly 800 of the nation's more than 4,300 state-chartered credit unions. To earn NASCUS accreditation, an agency must meet or exceed performance standards in each of the following six areas: Department Administration and Finance; Personnel; Training; Examination and Supervision; and Legislative Powers. The agency's qualifications and review team findings are audited by an Accreditation Audit Working Group and the NASCUS Performance Standards Committee (PSC), which makes the final recommendation for approval to the NASCUS Board of Directors. NASCUS accredited states supervise nearly 80 percent of all state-chartered credit union assets. Accreditation is valid for a five-year period, subject to annual review.

### Consumer Education and Community Events

April 2004 was declared as "California Financial Literacy Month" (CFLM) by Governor Arnold Schwarzenegger to highlight the importance of financial literacy and encourage all Californians to increase their understanding of saving, investing and credit choices. The theme of the 4<sup>th</sup> Annual CFLM was "Building Strong Financial Futures."

The financial services industry participated in efforts to reach the community, especially our youth during the month of April. The volunteers connect with students of all ages in a learning environment (classrooms, after-school programs, etc.) to share "real life" financial lessons to help them grow up to make informed and better financial decisions.

The CFLM 2004 Web site provided links to information designed to help consumers manage their personal finances. The site also provided ideas on how to get involved and materials to help promote California Financial Literacy Month, including a proclamation by Governor Arnold Schwarzenegger, downloadable logos, banners and posters; and sample press release, letter to the editor and PSAs.

A new outreach poster highlighted California Jump\$tart Coalition's "Ten Ways" mini financial lessons that help arm students with the knowledge they need to begin creating a strong financial future.

Financial literacy has become a priority for regulators and the financial services industry. "The poster was designed to promote financial literacy during April and to publicize the partnerships and efforts of the state of California, the industry, legislators, and

organizations like Jump\$tart, who are working together to bring attention to this important issue," said Commissioner Gould.

DFI also participated in the Professional BusinessWomen of California Conference (PBWC) on November 3, 2004 at the Sacramento Convention Center and the California Governor's Conference for Women and Families on December 7, 2004 at the Long Beach Convention Center.

## Credit Unions

California ended 2004 with 212 state chartered credit unions with assets of over \$60 billion. Assets in California state chartered credit unions have grown significantly in the last seven years, and this growth continued in 2004. However, this growth rate appears to be slowing; assets grew by 8.3% during 2004, whereas they had grown by 10% in 2003.

As a result of this growth in assets under supervision, the Department was able to reduce the Credit Union Assessment for fiscal year 2004/2005 by \$.10 / \$1000 dollars of total assets, or over 13%.

AB 2014 was passed by the Legislature and signed into law by the Governor on August 27, 2004. This bill would, among other things, allow a credit union with total assets of less than \$10,000,000 to file an alternative procedures audit acceptable to the commissioner, as specified. The bill would also authorize the commissioner to reject an alternative procedures audit that he or she determines is not satisfactory and order the credit union to obtain an audit that is satisfactory.

In 2004, the Department of Financial Institutions was granted re-accreditation by the National Association of State Credit Union Supervisors (NASCUS). NASCUS accreditation evidences to the general public, the Legislature, the federal deposit insurer, Congress, and other state credit union departments that the California Department of Financial Institutions meets national regulatory standards and is a quality regulator of state-chartered credit unions.

## Assessments

Annual assessments fees are remitted to DFI by electronic funds transfer (EFT) payment, which enables us to better manage funds by reducing or eliminating costly and time-consuming manual processing.

The assessment fee for Banks, Foreign Banks and Trust Companies was set at base rate of \$1.35, an increase in the asset base and the return of the loan to the General Fund have allowed the base rate to remain unchanged from 2003.

Credit Unions assessment rate was reduced to \$0.647282343 from last year's rate of \$0.747282343 per thousand dollars of total assets.

## 2004 Legislation

### DFI SPONSORED BILLS

AB 2014 (Wiggins) Chapter 324 on 8/30//04.

Credit Unions. This bill makes two changes to Financial Code sections under the Credit Union Law as administered by the Department of Financial Institutions. The changes would include: 1.) amendment of Financial Code section 14252 by eliminating the requirement to obtain and file an opinion audit for those credit unions with assets of \$10 million or less and to instead allow these credit unions to submit an audit report consisting of alternative procedures acceptable to the Commissioner. 2.) repeal of Financial Code section 14703 (b) eliminating state chartered credit unions from the requirement to transfer at the end of an accounting period an amount equal to its allowance-for-loan-losses expense from its required reserve account to its undivided earnings account.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_2001-2050/ab\\_2014\\_bill\\_20040830\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_2001-2050/ab_2014_bill_20040830_chaptered.pdf)

SB 1637 (Florez) Chapter 176 on 7/19/04.

Financial Institutions. This bill makes various technical clean-up changes to certain sections of the Financial Code relating to the Banking Law as administered by the Department. These changes would include 1.) Section 253: Changing the archaic language (the word "folio") and replacing it with Plain English (the word "copy"). 2.) Heading to Article 1, Chapter 17: Change to reflect that the Commissioner is the head of the Department, not the Superintendent. 3.) Section 1000: Clarifying that savings banks may not enter the state through the Savings Association Law. The proposed change will not affect how foreign (other state) savings associations may enter the California market. These savings associations will still be governed by the Savings Association Law.

[http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb\\_1601-1650/sb\\_1637\\_bill\\_20040719\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb_1601-1650/sb_1637_bill_20040719_chaptered.pdf)

#### BILLS POTENTIALLY AFFECTING THE ADMINISTRATION OF THE DFI

AB 79 (Dutra) Chapter 409 on 9/9/04.

Written reports: preparation. Existing law requires various written reports to be prepared and submitted by state and local agencies to the Legislature or the Governor. This bill , until January 1, 2008, provides that a public agency, as defined, may, but is not required to, prepare or submit any written report to the Legislature, the Governor, or any state legislative or executive body unless any one of specified conditions is met or the report is required to be prepared and submitted pursuant to this bill. This bill declares that it is to take effect immediately as an urgency statute.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_0051-0100/ab\\_79\\_bill\\_20040909\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_0051-0100/ab_79_bill_20040909_chaptered.pdf)

AB 806 (Wiggins) Chapter 26 on 3/17/04.

State Contracts: personal services. Existing law permits state agencies to enter into personal services contracts when certain conditions are met. These conditions include requiring a state agency that enters into a personal services contract to include provisions for employee benefits that are valued at least 85% of the state's cost of providing comparable benefits to state employees performing similar duties. Existing law defines "benefits" to include health, dental, and vision and wages benefits. This bill excludes from these requirements contracts that are performed by employees of nonprofit organizations that are employed pursuant to a specified license, certificate, community rehabilitation plan, or a habilitation services program.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_0801-0850/ab\\_806\\_bill\\_20040317\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_0801-0850/ab_806_bill_20040317_chaptered.pdf)

SB 111 (Knight) Chapter 193 on 7/23/04.

State reporting requirements. (1) Existing law requires various state agencies to prepare and submit reports to the Legislature and Governor on various topics throughout the year. This bill deletes various reporting requirements. (2) Existing law establishes, for specified time periods, pilot and demonstration projects regarding specified issues. This bill repeals these provisions.

[http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb\\_0101-0150/sb\\_111\\_bill\\_20040723\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb_0101-0150/sb_111_bill_20040723_chaptered.pdf)

SB 1041 (Committee on Budget and Fiscal Review) Chapter 23 on 3/5/04.

Budget Act of 2003. This bill amends the Budget Act of 2003 by revising various items of appropriations and authorizing the Director of Finance to revert additional amounts from specified funds to the General Fund. This bill provides that it to take effect immediately as an urgency statute.

[http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb\\_1001-1050/sb\\_1041\\_bill\\_20040305\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb_1001-1050/sb_1041_bill_20040305_chaptered.pdf)

#### BILLS POTENTIALLY AFFECTING THE DFI AND/OR DFI LICENSEES

ACR 61 (Koretz) Resolution Chapter 19 on 3/4/04.

Financial Literacy Month. This measure declares the month of April 2004 as Financial Literacy Month, in order to raise public awareness about the need for increased financial literacy.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_0051-0100/acr\\_61\\_bill\\_20040330\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_0051-0100/acr_61_bill_20040330_chaptered.pdf)

SJR 20 (Florez) Resolution Chapter 107 on 6/28/04.

Regulation of Financial Institutions. This measure requests the Congress of the United States to hold hearings to explore and study the growing scope of federal preemption of regulation of financial institutions and the effects on American consumers and the 75% of the banks in the United States that are state chartered banks, and if necessary, to consider legislation that will prevent the unilateral expansion of jurisdiction over financial institutions by federal regulators without the specific endorsement of the United States Congress.

[http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb\\_0001-0050/sjr\\_20\\_bill\\_20040628\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb_0001-0050/sjr_20_bill_20040628_chaptered.pdf)

AB 1933 (Pacheco) Chapter 937 on 9/30/04.

Public Records. This bill requires each state or local agency, within 20 days from receipt of a request for records, to determine whether the request, in whole or in part, seeks copies of disclosed public records. Provides that address information of an arrestee or crime victim obtained under these provisions shall remain in the physical possession of the requester and may not be provided to anyone, used to sell a product, or posted on a computer Web site.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_1901-1950/ab\\_1933\\_bill\\_20040930\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_1901-1950/ab_1933_bill_20040930_chaptered.pdf)

AB 2611 (Simitian) Chapter 886 on 9/29/04.

Elder Abuse. Existing law proscribes crimes against elder and dependent adults involving physical and financial abuse. This bill would make a technical, nonsubstantive change to these provisions.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_2601-2650/ab\\_2611\\_bill\\_20040929\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_2601-2650/ab_2611_bill_20040929_chaptered.pdf)

AB 2671 (Pacheco) Chapter 131 on 7/9/04.

Commercial Law: Banking Transactions. Existing commercial law requires a depository institution to provide periodic account statements to its customers and requires that the depository institution either return or make available items paid from the account or provide information in the statement sufficient to allow the customer reasonably to identify the items paid. Until January 1, 2005, the listing of the item number, the amount, and the date the item was paid is sufficient to identify the items paid. This provision on describing items will cease to be operative on January 1, 2005. This bill extends the operation of that provision until January 1, 2010.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_2651-2700/ab\\_2671\\_bill\\_20040709\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_2651-2700/ab_2671_bill_20040709_chaptered.pdf)

AB 3016 (Pavley) Chapter 282 on 8/23/04.

Privacy: Social Security Numbers. Existing law prohibits a person or entity, with specified exceptions, from publicly posting or displaying an individual's social security number or doing certain other acts that might compromise the security of an individual's social security number. In this regard, existing law permits a person or entity that has used a person's social security number prior to July 1, 2002, in a manner that is otherwise prohibited, to continue to use the person's social security number in that manner if certain conditions are met, including the condition that the use be continuous. This bill removes the exception for continuous use from the provisions described above.

[http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab\\_3001-3050/ab\\_3016\\_bill\\_20040823\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_3001-3050/ab_3016_bill_20040823_chaptered.pdf)

SB 1150 (Burton) Chapter 197 on 7/27/04.

Lender Names. This bill prohibits inclusion of a lender's trade name logo, or tagline in a written solicitation for financial services to a consumer for services or products without the consent of the lender.

[http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb\\_1101-1150/sb\\_1150\\_bill\\_20040727\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/03-04/bill/sen/sb_1101-1150/sb_1150_bill_20040727_chaptered.pdf)